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(World Bank. 2022 Global Economic Prospects, January 2022)



## 6. Development Impact Report

This section reflects the aggregated contribution of our partner banks via metrics that are reflective of their socio-economic contribution in their respective communities. These metrics provide insight into the progress of the banks' efforts to support financial inclusion, small business development, rural development, innovation, employment, gender equality in the workplace and build capacity in general.

*The developmental data reflected within the report is accrued annually through engagement with each partner bank. Whilst Arise strives to reflect partner bank data accurately, through an iterative process of clarification with each partner bank, a disclaimer is made to the extent that we work with the data provided and thus cannot attest to the veracity thereof, beyond the process articulated above.*

### 6.1. Financial Inclusion (SDG 1 & 8)

“The good news is that output in many countries rebounded in 2021 after a sharp decline in 2020. However, for many developing countries, progress towards recovery has been hampered by daunting challenges.” (World Bank. 2022 Global Economic Prospects, January 2022).

As reflected in the World Bank statement, 2021 was a year of mixed economic performance, especially for developing markets. While some rebound from the economic impact of the COVID-19 pandemic was evident, this was moderated by continued uncertainty and economic disruption associated with new variants (e.g. Omicron), as well as broader macroeconomic challenges.

Overall, what is observed in the Arise portfolio is a modest rebound from 2020. The drop in loan numbers for retail and MSME customers is mainly attributable to the divestment from BPR, which was concluded in August 2021. As a result, no data for BPR has been included in the 2021 metrics. Once the impact of the BPR exit is accounted for, loan numbers remained relatively stable for retail and MSME customers, while only slightly lower for corporate customers. Even with BPR excluded in the 2021 portfolio, the total loan book in USD grew by a healthy 7% year on year, primarily in the retail and corporate space. These increases can largely be attributed to a broad if cautious economic rebound.



## ACCESS TO FINANCE 2021

- **18bn**  
in total loans  
(USD)
- **1 330 879**  
retail loans  
(USD 3.8bn)
- **300 360**  
MSME loans  
(USD 4.1bn)
- **4 463**  
corporate loans  
(USD 9.8bn)

## 2020

- **16.8bn**  
in total loans  
(USD)
- **1 352 134**  
retail loans  
(USD 3.5bn)
- **300 992**  
MSME loans  
(USD 4.1bn)
- **4 630**  
corporate loans  
(USD 9.1bn)

## 6.2. Growing Sub-Saharan Africa's Agricultural Potential (SDG 1, 2 & 8)

Agricultural lending across the value chain remains a relatively underfunded sector across SSA, which is reflected by the sector loan ratios across Arise's partner banks. In addition, the collation of high-quality market data remains a particular challenge, as many banks have different ways of classifying and capturing sectoral data. In addition, captured data is not always identifiable as forming part of the broader food and agriculture (F&A) value chain.

At the Arise portfolio level, the share of F&A value chain lending amounted to 4.1% of overall lending in 2021 (USD 745 million out of USD 18 billion). The decrease is primarily attributable to ETI only reporting data for the

primary agricultural sector and not for the wider F&A value chain in 2021. This latter factor is due to challenges in data collation that affect most Arise partner banks, but which is particularly acute for larger, multinational financial institutions such as ETI. In terms of primary agricultural lending, the portfolio remained relatively flat, with only a slight decrease attributable to the exit from BPR during the year under review.

Considering the potential in the agricultural lending segment, there remains great opportunity to tap into this market and Arise, together with Rabo Partnerships, are engaged in active dialogue with partner banks to realise this potential.



## RURAL DEVELOPMENT 2021

- **4.1%**  
F&A value chain  
loans as a percentage  
of total loans
- **186 415**  
primary agricultural  
sector loans  
(USD 619mn)
- **4 865 665**  
defined rural  
customers  
(USD 1.5bn in loans)
- **189 072**  
F&A value  
chain loans  
(USD 745mn)
- **2 657**  
rest of F&A value  
chain loans  
(excl. primary  
agricultural sector)  
(USD 126mn)

## 2020

- **6.7%**  
F&A value chain  
loans as a percentage  
of total loans
- **187 341**  
primary agricultural  
sector loans  
(USD 649mn)
- **5 289 293**  
defined rural  
customers  
(USD 1.4bn in loans)
- **192 157**  
F&A value  
chain loans  
(USD 1.1bn)
- **4 816**  
rest of F&A value  
chain loans  
(excl. primary  
agricultural sector)  
(USD 474mn)



### 6.3. Embracing the Potential of Digital Technology (SDG 1 & 8)

A significant outcome of the COVID-19 pandemic was the acceleration of “alternate” transaction channels, mainly via digital banking services and the use of agency banking networks. This drive towards cashless financial transacting is reflected in the significant increase in internet banking subscriptions amongst several partner banks.

The impact of the pandemic receding is clearly evident in the mobile banking numbers. 2020 saw a significant increase in mobile banking subscriptions. As life slowly returned to a “new normal”, many of these subscriptions have become inactive, resulting in a sharp decline in mobile banking subscriptions in 2021. However, when compared to pre-pandemic subscription numbers

(7.4 million), figures are still significantly higher for 2021 (8.9 million), demonstrating the longer-term trend of increasing digital banking subscriptions.

In terms of brick-and-mortar banking facilities, a steady trend in reduced ATMs is evident (down 18% from 2019); while physical bank branch numbers remained effectively flat: the reduction in bank branches is wholly attributable to the BPR exit.

By contrast, the portfolio agency banking network continued its strong year-on-year growth. While the growth in urban regions was especially strong, a notable positive increase in the portfolio rural agency network was also observed.



#### ADVANCING TECHNOLOGY 2021



#### 2020



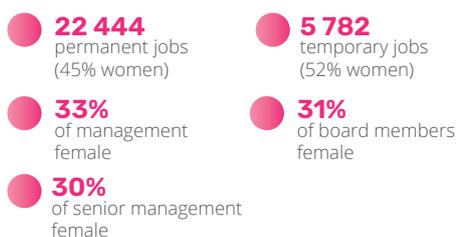
### 6.4. Stimulating Women’s Empowerment in Africa (SDG 1 & 5)

2021 saw a continuation of headcount optimisation programmes, reflected in a modest decrease in permanent jobs and a modest increase in temporary contract positions. As can be seen from the statistics, the proportion of female employees remained unchanged at a respectable 47% of total workforce (combined permanent and temporary staff complement).

In a similar vein, the percentage of women managers rose marginally, from 32% to 33%, but remained significantly lower than the overall 47% for the wider workforce. For the first time, Arise is also reporting on the percentage of women that make up the senior management team of our banks, as an important measure of gender equality in decision-making processes across the portfolio’s operating companies.



#### JOBS IN PORTFOLIO COMPANIES 2021



#### 2020



Reporting on female customers is dependent on the bank's ability to classify the demographic of the customer accurately at product level within the core banking system. Consequently, at present, not all female retail customers are captured across the Arise partner banking network. Arise continues to work with our partner banks to improve this aspect of impact reporting. Nevertheless, these issues are also reflected in the 2020 data, hence the reported data remains comparable on a year-on-year basis.

In this regard, it is pleasing to note the significant increase in the female retail lending portfolio (by over USD 100 million), even accounting for the impact of the

BPR exit. The proportion of female retail loans (24% of total retail loan numbers) demonstrates that there is considerable progress that still needs to be made in terms of advancing financial inclusion and gender equality in the region. Going forward, this will remain a key focus for both Arise and its partner banks.

Although not reflected in the development indicators below, several banks have also initiated specific products and services aimed at servicing and developing products for female business owners in the MSME and agricultural sectors. However, the classification of "female-owned" business remains variable across the partner banking network, rendering it challenging to collate reliable statistics in this segment.



## 6.5. Developing Skills - Contributing to a Knowledge Economy

Despite the impact of COVID-19 on banking operations, all banks across the Arise portfolio placed a strong emphasis on the development of staff, reflected in the number of staff involved in training.

Key training and development interventions included the following:

- Basic technical banking skills
- Management and leadership development training
- Risk, operations and finance training
- Customer service improvements
- Risk awareness regarding money laundering and terrorist financing (AML/CFT)
- Cyber crime techniques and fraud prevention.

Notably, several of the Arise partner banks undertook training specifically focused on developing female managers. This comprised a mix of in-house training for the larger institutions and external training for the smaller institutions, for example via the Female Future Programme of the Confederation of Norwegian Enterprise (NHO). In total, the Arise partner banks invested more than USD 8.4 million on staff training and development in 2021.

## 6.6. Making Fiscal Contributions - Building Strong Economies

Governments require sustainable sources of funding to foster economic growth, drive social programmes and invest in services such as healthcare, infrastructure development, social support and public education. These services are important to achieve the common goal of an economically active and orderly society; taxation, in the form of corporate taxation, private individual taxation, value added tax and other taxes, provides the sustainable funding source for the provision of services.

Arise's partner banks continue to contribute to the economies of the countries within which they operate. Furthermore, the individual contribution by partner bank staff in the form of personal income tax also contributes to the social contract between citizens and the economy.



\* Restated from the 2020 Operations Report



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